

SUBCOMMITTEE 3

FINAL ACTION REPORT

Senate Budget and Fiscal Review

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SUBCOMMITTEE No. 3

HEALTH and HUMAN SERVICES

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HEALTH

4120 EMERGENCY MEDICAL SERVICES AUTHORITY

- Increased by \$10 million General Fund to provide support to trauma care centers for uncompensated medical care.
- Increased by \$6.2 million (federal Health Resources and Services Administration grant funds) to (1) fund six limited-term positions, (2) conduct a variety of special statewide projects, and (3) provide \$3.3 million in local assistance. These are federal grant funds. These resources are to be used to continue the development and implementation of a bioterrorism response system for the state.
- Increased by \$270,000 (federal funds) to continue a one-year limited-term state position and to contract for the development of an electronic management system to track training courses completed by emergency medical system personnel. The state position will be used to review existing and proposed terrorism response medical training programs for emergency medical personnel and implement state terrorism response training standards.
- Augmented by \$311,000 (federal funds) to fund two positions, overtime pay, and consultant expenditures to develop, implement, and operate a coordinated medical terrorism monitoring and analysis program within the state. This request is part of a broader proposal related to the establishment of a new Statewide Terrorism Threat Assessment Center.
- Provided \$77,000 (Emergency Medical Services Training Program Approval Fund) to fund a position to facilitate reviews and training program renewals associated with Child Care Centers as required by existing law.

4260 DEPARTMENT OF HEALTH SERVICES (DHS)

The Medi-Cal Program

- Reflected savings of \$150.3 million General Fund due to a lower than anticipated caseload and slower growth in the utilization of services.
- Saved \$191.7 million General Fund by authorizing the DHS and Managed Risk Medical Insurance Board (MRMIB) to submit a State Plan Amendment to the federal CMS in order to obtain a 65 percent federal match for the state's Prenatal Care Program for Undocumented Women and the Access to Infants and Mothers (AIM) Program. Trailer bill legislation was also adopted to ensure that California's existing reproductive rights protections, as well as full scope services to pregnant women, would be maintained.

- Modified the administration's proposal to expand the Medi-Cal Managed Care Program. Specifically, the following actions were taken:
 1. Rejected the mandatory enrollment of aged, blind, and disabled.
 2. Provided for expansion into 13 new counties using the existing program enrollment method of the mandatory enrollment of children and families, and the voluntary enrollment of the aged, blind, and disabled.
 3. Provided for existing County Organized Health Care Systems (COHS)—all five of them—to expand into additional counties. By the nature of this model, COHSs require the mandatory enrollment of aged, blind, and disabled individuals. Therefore, counties that choose to become part of an existing COHS would have mandatory enrollment.
 4. Adopted trailer bill language to codify key components of the administration's "plan readiness" requirements.
 5. Adopted trailer bill language to retain the integrity of the California Children's Services (CCS) Program in a managed care environment.
 6. Adopted trailer bill language to require the DHS to provide the Legislature with quarterly updates, beginning January 1, 2006, on core activities to improve the Medi-Cal Managed Care Program and to expand to the 13 counties.
 7. Adopted trailer bill language to require the DHS to provide the Legislature with information regarding the rate analysis currently being conducted by Mercer, Incorporated.
- Adopted a modified expenditure cap for Adult Dental services provided to Medi-Cal enrollees. This modified cap has a set limit of \$1,800 over a calendar year and commences as of January 1, 2006. The cap excludes emergency services, dentures, dental services provided in a long-term care nursing home setting, and complex oral and maxillofacial surgeries. A three-year sunset date of January 1, 2009 was also adopted. Since the administration's proposal assumed a retroactive cap in order to obtain savings in the budget year, an increase of \$25.1 million General Fund was needed to backfill General Fund support.
- Rejected the administration's changes to the existing Single Point of Entry process for savings of \$3.4 million (\$2.1 million General Fund). This was another component piece to the administration's Medi-Cal redesign proposal.
- Contains no changes associated with the administration's proposed Hospital Financing Waiver (California's existing Waiver expired as of June 30, 2005). The Waiver will be discussed and finalized through a separate process.
- Rejected the administration's proposal to use a contractor, in lieu of state employees, to monitor counties performance for savings of \$600,000 (\$300,000 General Fund).
- Adopted trailer bill legislation to permanently establish in statute the cost-based reimbursement methodology presently provided in Los Angeles County for county-owned or operated hospital clinics and community care clinics that participated in the Los Angeles County Waiver (set to expire as of June 30, 2005). This is the same language as proposed by the administration.

- Appropriated \$29.1 million (federal funds) for local trauma centers located in Los Angeles and Alameda Counties. The state funds used to draw this federal match come from county taxes as adopted by local voters.
- Saved \$25.8 million General Fund by using Proposition 99 funds to backfill for a portion of General Fund support in the Orthopaedic Hospital Settlement Agreement.
- Adopted several actions that pertain to the implementation of the federal Part D Drug Program by January 1, 2006. These actions within the Medi-Cal Program are as follows:
 1. Adopted trailer bill legislation to implement the federal Part D Drug Program. Among other things, this language will require the DHS to include counties and appropriate stakeholders in the development of any and all county letters or other forms of instruction that are sent out, and requires the DHS to work with counties to develop an estimate of cost for eligibility processing which is to be presented in the Governor's 2006 budget submittal to the Legislature;
 2. Concurred with the administration to increase by \$93.6 million (\$46.8 million General Fund) to provide coverage under the Medi-Cal Program for dual eligibles for those specific categories of drugs excluded from the federal Part D Drug Program;
 3. Adopted trailer bill legislation for the DHS to develop a process for providing emergency drug coverage for a dual eligible for up to 60-days during the first year of implementation of the federal Part D Drug Program;
 4. Reduced by \$759.6 million General Fund (January 1, 2006 to June 30, 2006) as proposed by the DHS to capture the anticipated savings from shifting drug expenditures for the dual eligibles from Medi-Cal to the new federal Part D Drug Program;
 5. Increased by \$511 million General Fund due to the federal "clawback" in which the federal government requires states to make a "state contribution" payment to help finance the federal Part D Drug Program dual eligible enrollees;
 6. Reduced by \$57.6 million (\$28.8 million General Fund) the capitation rate paid to certain Medi-Cal Managed Care plans to reflect that the federal Part D Drug Program will be paying for the drugs provided to dual eligibles;
 7. Adopted trailer bill legislation to enable the AIDS Drug Assistance Program to pay for the copays associated with the new federal Part D Drug Program, as is presently done in the existing ADAP Program; and
 8. Conformed to the administration to provide \$1.6 million General Fund within the Medi-Cal Program to mail flyers to dual eligibles regarding the federal Part D Drug Program and to conduct certain provider relations activities.
- Increased by \$59.8 million (\$29.9 million General Fund) to provide rate increases to various long-term care facilities not covered by AB 1629, Statutes of 2004, as provided for under existing state statute.

- Reflected *net* savings of \$257 million General Fund through the implementation of AB 1629, Statutes of 2004, which (1) requires the DHS to provide a cost-of-living adjustment to certain nursing homes, effective August 1, 2004, (2) provides for the establishment of a facility specific rate methodology by August 1, 2005, and (3) institutes a quality improvement fee to be effective August 1, 2004. This is all contingent upon federal CMS approval which is still pending.
- Increased by \$26.4 million (\$13.2 million General Fund) for Adult Day Health Care (ADHC) providers to (1) implement a modest change to the existing moratorium on provider Medi-Cal certification, and (2) provide a rate adjustment as required by existing state law which the administration did not include in their budget.
- Provided 38 positions, in lieu of the requested 74.5 positions, to the DHS to continue with various third-party recovery activities in the Medi-Cal Program for savings of \$25.7 million General Fund. No emergency regulation authority was provided for any component.
- Assumed implementation of a quality improvement fee on Medi-Cal Managed Care plans as of July 1, 2005 for an overall net savings of \$37.7 million General Fund.
- Increased by \$3.4 million (\$1.2 million General Fund) to reflect funding for health care benefits and eligibility administration for implementation of an accelerated enrollment for certain children who have a high share-of-cost in Medi-Cal. These children would receive up to 60-days of coverage pending enrollment into the Healthy Families Program.
- Reduced by \$7 million (\$3.5 million General Fund) to reflect a January 1, 2006 implementation date for obtaining federal government approval of the Department of Health Services' request regarding the states Medi-Cal Drug Rebate Program (i.e., "protecting rebates"). This action was approved by the Legislature in the Budget Act of 2002 and still has not been implemented by the DHS.
- Augmented by \$4.2 million (\$2.1 million General Fund) to change the drug ingredient formulary pricing from a 30-day noticed update to a weekly noticed update. This proposed change will assist pharmacists in receiving appropriate reimbursement for their drug ingredient expenditures.
- Provided six new positions to the DHS and resources for an internet application to expedite the processing of Medi-Cal provider enrollment (such as physicians).
- Provided an increase of \$120,000 General Fund to support positions at Delta Dental to process the enrollment of dentists into the Medi-Cal Program (Denti-Cal).
- Provided four positions for oversight of the existing SB 1732 hospital construction program and existing disproportionate share hospital program.
- Provided 12 positions for implementation of the pending Hospital Waiver.
- Provided a 3 percent rate increase to CalOPTIMA, the County Organized Health Care Systems of Orange County for increased expenditures of \$18.4 million (\$9.2 million General Fund).
- Provided \$6 million (\$3 million General Fund) for a rate adjustment to maintain fiscal solvency for the Alameda Alliance for Health; however this augmentation was vetoed by the Governor.

- Provided \$5 million (\$2.5 million General Fund) for a rate adjustment to maintain fiscal solvency for the San Diego Community Health Group. Of this total amount, \$3 million was sustained by the Governor.
- Increased by \$724,000 (\$362,000 General Fund) for a rate adjustment for the Partnership HealthPlan of California; however, this augmentation was vetoed by the Governor.
- Augmented by \$100,000 (\$50,000 General Fund) to reflect a rate increase for speech-generating devices. This proposal would settle litigation issues by providing adequate access to the product.
- Reduced by \$2.250 million (\$1.125 million General Fund) the Disease Management Program due to the late implementation by the DHS.
- Adopted trailer bill legislation to add therapeutic diabetic shoes and inserts as a Medi-Cal benefit.
- Adopted trailer bill legislation to increase the rates paid for portable x-ray transportation to 100 percent of the Medicare rate.
- Increased by \$200,000 (\$100,000 General Fund) to provide two positions to expedite and process applications for the Program of All-Inclusive Care for the Elderly (PACE).
- Adopted Budget Bill language to encourage the DHS to process PACE applications in a more efficient manner.
- Adopted trailer bill legislation to require the DHS to provide the Legislature by no later than July 1, 2006 with a comprehensive review of nurse staffing levels that is a statistically valid sample of hospitals that are urban and rural, public and private, proprietary and non-profit, geographically-balanced, and small and large. At a minimum, this analysis shall include a comparison to the 2001 baseline staffing study, including the extent to which hospitals have increased registered nurse and licensed vocational nurse staffing.
- Adopted trailer bill legislation to require the DHS and the California Medical Assistance Commission (CMAC) to provide fiscal information to the Joint Legislative Audit Committee and the Joint Legislative Budget Committee on the funds provided to the contract hospitals participating in the Medi-Cal Program, and the health plans participating in the Medi-Cal Managed Care Program for implementation of the nurse-to-patient ratios.
- Adopted Budget Bill language that it is the Legislature's intent that funding appropriated to the DHS for the Medi-Cal Program shall be expended for purposes that are consistent with the assumptions and estimates as defined in Section 14100.5 of the Welfare and Institutions Code. This language was voted by the Governor.
- Saved \$780,000 General Fund by rejecting changes to CalWORKs that would have affected the 1931(b) eligibility category in Medi-Cal. The increase proposed by the administration to hold harmless certain enrollees is not needed since the CalWORKs adjustment (i.e., "MAP") was not adopted.

- Adopted trailer bill language to continue pilot projects that provide continuous 24-hour skilled nursing care to medically fragile persons with developmental disabilities in certain Waiver facilities (ICF-DD-continuous nursing) as originally contained in AB 359 (Chapter 845, Statutes of 1999).
- Adopted Budget Bill language to appropriate \$898,000 General Fund for specified planning purposes associated with implementation of the Acute and Long-Term Care Integration Projects.
- Continued three positions at the DHS as requested for the Long-Term Care Integration efforts.
- Increased by \$487,000 (total funds) to fund nine positions at the DHS to process reimbursements submitted by Tribal Organizations under the Targeted Case Management (TCM) Program.
- Increased by \$938,000 (total funds) to provide 10 positions to the DHS to process reimbursements from local government agencies associated with Medi-Cal Assistance Claiming (MAC) and the Targeted Case Management (TCM) Program.

Public Health Programs

- Augmented by \$12 million General Fund to assist in mitigating the spread of West Nile Virus. Of this amount, \$10 million will be allocated to local vector control districts.
- Appropriated a total of \$268.3 million (\$91.1 million General Fund, \$76.3 million ADAP Drug Rebate funds, and \$100.9 million federal Ryan White CARE Act funds) to fully fund the AIDS Drug Assistance Program (ADAP).
- Augmented by \$5.7 million (General Fund) HIV/AIDS Prevention and Education funding for various local health jurisdictions to restore them to their 2001-02 funding levels. The Governor sustained this augmentation but stated his intent to view this augmentation as a one-time only appropriation.
- Restored the California Office of Binational Border Health by providing an increase of \$604,000 General Fund. This funding level reflects an unallocated reduction of \$90,000 that was taken in the current-year by the DHS.
- Provided a total of \$2.180 million (\$1.43 million General Fund) towards the Governor's obesity program in lieu of the \$6 million General Fund requested. The Budget provides a Medical Office position as requested, as well as \$500,000 towards local grants and \$1.5 million (total funds) for the Medi-Cal Program best practices.
- Adopted trailer bill language to provide for a four-fifths vote of the Legislature to enable Proposition 99 funds to be matched with federal funds, including federal Medicaid funds, federal hospital Waiver funds (when available), and federal S-CHIP funds.
- Used \$3 million (\$2 million Physician Services Account and \$1 million Unallocated Account) in one-time funds to be transferred to the Steven M. Thompson Medically Underserved Account

to provide for medical school loan assistance to physicians so they will serve in medically underserved areas for up to three years.

- Provided \$3 million (Proposition 99 funds) in one-time-only funds for activities associated with mitigating Asthma.
- Increased by \$3.6 million (Proposition 99 funds) for the Competitive Action Grants to fund a variety of local, regional, statewide, and pilot projects that seek to educate people about the dangers of tobacco use.
- Augmented by \$400,000 to allow the DHS to evaluate the Competitive Action Grants.
- Provided an additional \$1.1 million (Proposition 99 funds) to support increased caseloads in the Breast Cancer Early Detection Program.
- Provided 94.8 positions to the DHS to continue implementation of various activities associated with the receipt of federal bioterrorism funds. Also adopted several pieces of trailer bill language and Budget Bill language to ensure both the fiscal and policy integrity of the program.
- Provided \$1.1 million (total funds) to conduct activities associated with having underserved communities access shelter services provided to individuals needing assistance with domestic violence. Adopted Budget Bill language on how these funds are to be expended.
- Eliminated \$11.7 million General Fund associated with the implementation of the Governor's California Rx Program. Policy legislation to implement this proposal has stalled in the Senate Health Committee.
- Adopted trailer bill language as proposed by the administration to continue to defer the state's \$20.2 million in General Fund support for the County Medical Services Program (CMSP).
- Saved \$22 million General Fund by shifting the Genetically Handicapped Persons Program (GHPP) from an accrual accounting system to a cash accounting system as proposed by the administration.
- Provided an increase of \$761,000 (Proposition 50 Bond funds) to support seven new, two-year limited-term positions for activities associated with the analysis of applications received from water districts.
- Provided \$125,000 (Proposition 50 Bond funds) to fund a position at the California Bay-Delta Authority provided through an interagency agreement.
- Increased by \$400,000 (Water System Reliability Account funds) to fund three contract positions for technical assistance for the Capacity Development Program within the Safe Drinking Water State Revolving Fund Program.
- Adopted Budget Bill language to enable the Genetic Disease Testing Fund to repay its General Fund loan by June 30, 2006 which reflects an expedited repayment schedule.
- Fully funded the Genetic Disease Testing Program, including the new expansion for the Newborn Screening Program portion, as proposed by the administration.

- Fully funded the Child Health Disability Prevention (CHDP) Program as proposed by the administration.
- Fully funded the California Children's Services (CCS) Program as proposed by the administration.
- Adopted trailer bill legislation regarding reimbursement to hospitals for expenditures associated with the purchase of BabyBIG vaccine.
- Augmented by \$1.2 million (Drug and Device Safety Fund) to fund 11 new positions to inspect and license Home Medical Device Retailer facilities.
- Increased by \$644,000 (Clinical Laboratory Improvement Fund) to fund eight positions to conduct activities associated with auditing Medi-Cal laboratories, conducting phlebotomy certification, and conducting genetic scientist licensure.
- Provided \$105,000 (\$52,000 Mental Health Services Fund) for one position for implementation activities associated with Proposition 63.
- Approved funding adjustments as proposed by the administration for implementation of the Medical Marijuana Identification Card.

4270 CALIFORNIA MEDICAL ASSISTANCE COMMISSION

- Reduced by \$171,500 General Fund and adopted trailer bill legislation to reduce the salaries paid to the Commissioners from \$100,000 annually to \$50,000 annually, with an adjustment as applicable for inflation.

4280 MANAGED RISK MEDICAL INSURANCE BOARD

- Provided a total of \$957.6 million (\$346.8 million General Fund) for the Healthy Families Program to provide health, dental, and vision coverage to 867,418 children (June 30, 2006).
- Deleted \$1.8 million (\$624,000 General Fund) from the administration's proposal for Healthy Families which is attributable to the passage of AB 1396 (Garcia) which is still pending legislative approval.
- Approved the administration's proposal to restore outreach activities to improve enrollment in both the Healthy Families Program and the Medi-Cal for Children Program. An increase of \$14.5 million (\$6 million General Fund) was provided for this purpose, including three new positions.
- Rejected the administration's proposed changes to the existing Single Point of Entry process for savings of \$1.9 million (total funds).

- Appropriated \$4.7 million (no General Fund) for the County Health Initiative Matching Fund Program.
- Eliminated the administration's unallocated state support reduction to the MRMIB by providing an increase of \$937,000 (\$328,000 General Fund). This action enables the MRMIB to retain 10 existing positions.
- Provided an increase of 13 positions, in addition to eliminating the unallocated reduction as referenced above, to conduct a variety of contractor oversight functions and program integrity functions related to the operations of the Healthy Families Program.
- Adopted trailer bill language that enables health plans to partner with schools to conduct outreach and enrollment activities for the Healthy Families Program.
- Adopted trailer bill language, as proposed by the administration, to enable counties to buy into the Healthy Families Program (i.e., in essence to use it as a purchasing pool). No state funds would be used for this purpose, only county or other local funds.
- Shifted the funding of the Access for Infants and Mothers (AIM) program from General Fund support to the use of Proposition 99 funds as proposed by the administration. This fund shift saves \$27.4 million (General Fund). This action assumes the receipt of federal S-CHIP funds as a match to the Proposition 99 funds. As such, it is also assumed that a four-fifths vote of the Legislature will be obtained to change Proposition 99 to allow for Proposition 99 funds to be used to match federal funds.
- Adopted trailer bill language, as proposed by the administration, that would provide explicit retroactive (up to 12-months) authority for authorization of services provided under the California Children's Services (CCS) Program for infants born to mothers enrolled in the Access for Infants and Mothers (AIM) Program.
- Fully funded the Managed Risk Medical Insurance Program (MRMIP) at \$40 million (Proposition 99 funds) by expending a \$20 million reserve and only transferring \$20 million in new Proposition 99 funds. Technical trailer bill language was also needed for this action.

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES (DDS)

Community-Based Services

- Concurred with the administration to continue the existing cost containment measures on the purchase of services expenditures which have been in effect since the Budget Act of 2003. This includes all of the rate freezes, the extended assessment timeframe (60 days to 120 days), the revision to eligibility, the Family Cost Participation Program, and the unallocated reductions.
- Rejected the Governor's additional cost containment measures on the purchase of services expenditures. An increase of \$13.7 million (\$10.3 million General Fund) was needed to backfill for this elimination of proposed savings.

- Eliminated the \$6 million General Fund augmentation to the Regional Center's operations to implement the proposed additional cost containment measures.
- Provided a total of \$9.2 million (total funds) for the Regional Center's operations budget to hire 103 Service Coordinators, 9 Physicians, and 13 Psychologists to help Regional Centers maintain compliance with the federal CMS regarding the Home and Community-Based Waiver. This amount is in lieu of the \$20.2 million (total funds) as requested by the administration. Trailer bill language was also adopted to provide oversight of the funds and their intended purpose.
- Approved an increase of \$9.3 million General Fund to implement the federal Part D Drug Program. This includes \$4.4 million to fund those medications no longer covered by Medi-Cal or Medicare, and \$4.9 million for the Regional Centers to contract with enrollment brokers for assistance to consumers in enrollment and appeals, and to provide for enhanced medical review and consultation. Budget Bill language was also adopted to capture data related to drug expenditures.
- Reappropriated \$11.1 million General Fund (one-time only) to facilitate the initial development of community-based living options for the current residents of Agnews. The DDS approved this plan on May 11, 2005, after consultation with the California Housing and Finance Agency and the Department of Housing and Community Development.
- Increased by \$1.4 million (\$1.1 million General Fund) in the DDS item, and \$2.1 million (\$459,000 General Fund) in the Department of Rehabilitation (DOR) item to return the Supported Employment Program "group size" back to a total of three individuals, versus its present size of four individuals.
- Approved the administration's fiscal assumptions for implementation of a Self-Directed Services Delivery Model but adopted different trailer bill language.
- Approved the \$2 million General Fund request by the DOF to require the DDS to have an independent assessment conducted on the California Developmental Disabilities Information System (CADDIS). CADDIS implementation has been further delayed to June 30, 2006.
- Increased by \$559,000 (\$467,000 General Fund) for Regional Center operations to hire 42 positions to manually process data necessary for billing contracted and other services to the Home and Community-Based Waiver, thereby accessing federal funds.
- Eliminated \$1.1 million General Fund provided as an augmentation by the administration to purchase dental services due to the administration's proposed Medi-Cal Program dental cap of 1,000 annually. This augmentation was eliminated because it is not needed. The Legislature adopted an annual cap of \$1,800. As such, individuals with developmental disabilities should not be affected by the cap.
- Adopted the administration's proposed suspension of the Guardianship/Conservatorship Filing Mandate.

Developmental Centers

- Provided total expenditures of \$708 million (\$379.2 million General Fund) for the Developmental Centers as proposed by the administration. This level of funding assumes a resident population of 3,016 people. This funding level includes various adjustments for worker's compensation, employee compensation, certain federally required quality management enhancements and activities related to implementation of the federal Part D Drug Programs.
- Adopted all fiscal adjustments related to the closure of Agnews Developmental Center by June 30, 2007.
- Adopted Budget Bill language to require the DDS to report back to the Legislature regarding closure activities as specified as of January 10, 2006 and May 15, 2006.

4440 DEPARTMENT OF MENTAL HEALTH (DMH)

Community-Based Services

- Provided an increase of \$13.4 million (Mental Health Services Fund) to fund 90 positions, instead of the requested 109 positions, to administer Proposition 63—the Mental Health Services Act (Act).
- Adopted placeholder trailer bill language directing the DMH to provide ongoing information to the Legislature regarding expenditure of the Mental Health Services Fund and implementation of the overall Act.
- Adopted Budget Bill language, as proposed by the administration, regarding the expenditure of Proposition 63 funds under the state support item. Specifically, this language states that the funds appropriated in the Budget Act for state support is in lieu of the amounts that otherwise would have been appropriated for state support through the Act.
- Reduced by \$1 million General Fund due to the addition of 6 new audit positions associated with the Proposition 63 implementation.
- Made a series of adjustments related to the continued implementation of AB 3632, Statutes of 1984. These include:
 1. Rejecting the administration's trailer bill language to repeal sections of Government Code that create the mandate on the counties and modified SB 1895 (Burton -- Chapter 493, Statutes of 2004).
 2. Rejecting the administration's proposed Budget Bill language to use funds for past mandate claims.
 3. Appropriating \$120 million General Fund in the DMH item for county mental health-related expenditures associated with mandate claiming. Of the amount appropriated, \$60 million is to be spent on 2004-05 expenditures and \$60 million is for 2005-06 expenditures.

4. Adopting Budget Bill language that it is the intent of the Legislature for the \$120 million in funds, as well as those appropriated within the State Department of Education for services to students enrolled in special education and requiring mental health assistance in order to benefit from the education services provided, to be fully expended to address needs in the 2004-05 and 2005-06 fiscal years.
- Provided \$3.15 million (Mental Health Services Fund) for the Governor's initiative on Chronic Homelessness. Of this amount, \$750,000 is used to backfill for General Fund support for predevelopment loans to fund upfront housing project costs.
 - Approved all technical adjustments for the baseline Mental Health Managed Care Program as proposed by the DMH.
 - Reduced by \$4.4 million (\$2.2 million General Fund) the amount proposed to implement federal requirements regarding "informing materials" as they pertain to the state's Mental Health Managed Care Waiver. Corresponding Budget Bill language was also adopted.
 - Reduced by \$11.8 million (\$5 million General Fund) the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program to account for anticipated savings on program costs from new auditing activities that will commence in the current year.
 - Reflected an increase of \$303,000 (federal Substance Abuse and Mental Health Services Administration grant funds) to be allocated by the DMH to County Mental Health Plans. This increase provides a total of \$55 million (federal funds) for this purpose.
 - Reflected an increase of \$750,000 (federal Projects for Assistance in Transition from Homelessness grants) in grants to be allocated to the County Mental Health Plans. This increase provides a total of \$7.4 million (federal funds) for this purpose.
 - Provided \$94,000 (federal bioterrorism funds) to fund a two-year limited-term position to assist in implementing bioterrorism preparedness and capacity building.
 - Concurred with the administration on needed technical adjustments to the supplemental mental health services provided to children enrolled in the Healthy Families Program.
 - Adopted the proposed adjustments to the San Mateo Field Test Model as proposed by the DMH.

State Hospitals

- Concurred with the administration to provide a total of \$888.6 million (\$802.1 million General Fund) for the support of the State Hospitals. The population of the State Hospitals is now 87 percent Penal Code-related.
- Increased by \$120,000 General Fund to restore a reduction made to the contractor that provides patient's rights. Due to grave concerns expressed by the federal Department of Justice regarding these hospitals, this restoration is viewed as a mitigation measure to avoid further federal concerns.
- Made three adjustments to the budget related to implementation of the federal Part D Drug Program. These adjustments are as follows:

1. Adopted the administration proposal to provide \$69,000 General Fund to fund a position at headquarters.
 2. Recognized \$1.1 million General Fund in increased revenue to the state due to generating additional Medicare revenue from the Pharmacy Drug Plans (PDPs) in the budget year.
 3. Provided seven positions, in lieu of the nine requested, at the State Hospitals and related computer equipment to enable the State Hospitals to operate as long-term care pharmacies under each PDP, as applicable.
- Transferred \$61 million General Fund from the California Department of Corrections (CDC) to the DMH State Hospital appropriation to reflect a mutually agreed to decision by both departments to reflect expenditures associated with CDC caseload being treated in the State Hospitals.
 - Concurred with the administration to save \$6 million General Fund by restructuring the Sexually Violent Predator (SVP) Treatment Program but adopted different trailer bill language.
 - Made adjustments to the Sexually Violent Predator evaluation and court testimony estimate and saves an additional \$811,000 General Fund off of the administration's proposed adjustment.
 - Provided all funding as proposed by the administration for State Hospital capital outlay projects proposed at Metropolitan State Hospital, Napa State Hospital, and Patton State Hospital.

HUMAN SERVICES

4130 HEALTH AND HUMAN SERVICES AGENCY DATA CENTER

0530 HEALTH AND HUMAN SERVICES AGENCY – OFFICE OF SYSTEMS INTEGRATION

- Transferred \$223 million and 176 positions for 10 automation projects from the Health and Human Services Data Center (HHSDC) to the newly established Office of Systems Integration in the Health and Human Services Agency. The Legislature is currently reviewing a Governor's Reorganization Plan that would consolidate the HHSDC operations component and the Teale Data Center into the newly proposed Department of Technology Services.
- Approved \$2 million and 20 positions to transfer the Child Welfare Services/Case Management System (CWS/CMS) application hosting from a private vendor location to HHSDC Operations (or the Department of Technology Services, contingent on approval of the Governor's Reorganization Plan for the HHSDC and Teale Data Center).
- Approved \$13.2 million (\$6.6 million GF) for development, support and implementation of an automation system for the IHSS program, known as Case Management Information and Payrolling System (CMIPS) II. The contract for CMIPS II is scheduled to be awarded in 2005-06.
- Approved \$153.8 million (\$56.4 million GF) for implementation and maintenance of the Statewide Automated Welfare System (SAWS) CalWIN system. This amount represents an increase of \$24.2 million GF over current year, due to additional costs to convert closed cases from the previous automation system and additional training and coaching for counties transitioning to the new system.
- Approved \$48.1 million (\$16.9 million GF) for maintenance and operations of the SAWS C-IV system. This amount represents a decrease of \$10.9 million GF compared to current year, due to the completion of C-IV implementation activities.
- Approved \$121.0 million (\$60.5 million GF) for the Child Welfare Services/Case Management System (CWS/CMS). This amount reflects an increase of \$27.6 million (\$14.2 million GF), due to activities associated with the CWS/CMS Go Forward Plan, including migration of the CWS/CMS application hosting to the Department of Technology Services.

4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

- Adopted an increase of \$3.0 million GF to expand the Song-Brown Family Physician Training Program to include support for programs that train Registered Nurses, to help address the statewide nursing shortage.

- Approved \$223,000 from the Hospital Building Fund for Logbook system redesign planning and procurement activities.

4170 DEPARTMENT OF AGING

- Approved an increase of \$1.8 million federal funds, \$2 million special funds, and four positions for the Health Insurance Counseling and Advocacy Program (HICAP). The additional funding and positions would be used to address the increased need for consumer counseling during the initial enrollment period for Medicare Part D Prescription Drug benefits in spring 2006, when over 4 million Medicare beneficiaries in California will need to make enrollment decisions.

4180 COMMISSION ON AGING

- Approved as budgeted.

4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

- Reappropriated \$200,000 in unspent prior year funding for the Office of Problem Gambling to develop culturally appropriate literature on problem gambling.
- Approved \$900,000 federal funds to support dependency drug court programs. Note: the Department of Social Services' budget also reflects \$200,000 to evaluate the effect of dependency drug courts on child welfare and foster care outcomes and costs.
- Approved two positions to support implementation of Proposition 63, the Mental Health Services Act of 2004.
- Increased Drug Medi-Cal provider rates above the 2002-03 rate level by \$2.2 million (\$1.1 million GF). In 2004-05, Drug Medi-Cal rates were reduced to the 2002-03 level.
- Approved \$7.6 million for a federal Access to Recovery grant, which will provide vouchers to substance abusing 12- to 20-year olds for treatment and recovery support services.

4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

- Rejected the Governor's proposed elimination of the Naturalization Services Program and appropriated \$2.5 million GF for this program. The Governor vetoed \$1 million GF for this program, but sustained \$1.5 million GF, which is the amount included in the 2004 Budget Act for this program.

5160 DEPARTMENT OF REHABILITATION

- Approved \$908,000 (\$193,000 GF) to fund an increase in tuition costs for Department of Rehabilitation consumers attending the University of California or the California State University systems, consistent with tuition increases budgeted in both university systems.
- Increased funding by \$2.2 million (\$459,000 GF) to reflect a reduction in Supported Employment Program group size from four to three consumers per counselor, consistent with budget actions taken in the Department of Developmental Services.

5170 STATE INDEPENDENT LIVING COUNCIL

- Approved as budgeted.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

- Approved \$269 million (\$92 million GF) for the continued development of the California Child Support Automation System (CCSAS). This includes an augmentation of \$92 million (\$25 million GF) and 36 positions in the Department of Child Support Services (DCSS) and 16 positions in the Franchise Tax Board, which acts as DCSS' agent for the procurement, development, and maintenance of the CCSAS project.
- Approved \$218 million GF for payment of the federal fiscal year (FFY) 2005 alternative federal penalty in 2005-06. Since 1997, California has been subject to substantial federal penalties due to the state's failure to establish a single statewide system for the collection of child support. The 2004 Budget Act did not include funding for this penalty, as the payment was entirely deferred to state fiscal year 2005-06. The federal government recently informed the department that payment of the FFY 2006 penalty will be deferred to state fiscal year 2006-07.
- Transferred 168.5 positions and \$12.4 million (\$5.5 million GF) for the Child Support Full Collections Program from the FTB to the DCSS, as authorized by AB 2358 (Steinberg) (Chapter 806, Statutes of 2004).
- Approved \$20 million federal funds to match additional county funding for local child support agencies.
- Approved \$721,000 (\$245,000 GF) to maintain 9 of 23 expiring limited-term positions to redesign and implement the Compromise of Arrears Program. This program offers reduced lump sum settlements to parents in exchange for their commitment to make ongoing payments.

5180 DEPARTMENT OF SOCIAL SERVICES**In-Home Supportive Services**

- Rejected the Governor's proposal to reduce state participation in In-Home Supportive Services (IHSS) provider wages and benefits to the minimum wage (\$6.75/hour), and restored \$206.3 million GF. Effective July 1, 2005, state participation in IHSS provider wages and health benefits increased from \$10.10 per hour to \$11.10 per hour.
- Approved \$10.6 million GF to apply Medi-Cal share of cost rules to IHSS consumers. Due to the federal IHSS Plus waiver adopted last year, IHSS consumers must now have a Medi-Cal eligibility determination, which in some cases results in a higher share of cost to be funded by the state.
- Approved \$173.9 million (\$55.4 million GF) savings to reflect the IHSS Quality Assurance efforts to improve the consistency of IHSS, prevent fraud, and protect consumer access to services.

Supplemental Security Income/State Supplementary Payment

- Approved \$132 million GF savings in 2005-06, and \$338 million GF savings in 2006-07, to suspend the state Supplemental Security Income/State Supplementary Payment (SSI/SSP) cost-of-living adjustment (COLA) for two years.
- Approved \$48 million GF savings in 2005-06 to delay the pass-through of the January 2006 federal SSI COLA for three months, to April 2006. Also approved \$42 million GF savings in 2006-07 to delay the pass-through of the January 2007 federal SSI COLA for three months, to April 2007.

CalWORKs and Food Programs

- Rejected the Governor's proposal to reduce CalWORKs grants by 6.5 percent, and restored \$166.0 million in federal Temporary Assistance for Needy Families (TANF) funding.
- Approved \$135 million GF savings in 2005-06 to suspend the July 2005 CalWORKs COLA, and \$135 million GF savings in 2006-07 to suspend the July 2006 CalWORKs COLA.
- Rejected the Governor's proposal to reduce license-exempt child care reimbursement levels, and restored \$66.1 million TANF in the Department of Social Services and \$58 million TANF in the California Department of Education.
- Rejected the Governor's proposal to use \$201 million in TANF funding to supplant existing General Fund resources in Juvenile Probation.
- Approved the May Revision withdrawal of the Governor's January proposal to reduce the CalWORKs Earned Income Disregard, and restored \$82 million GF and TANF funding.

- Approved the May Revision withdrawal of the Governor's January CalWORKs Sanctions proposal, and restored \$12 million GF and TANF funding. The sanctions proposal was withdrawn by the administration due to an incomplete report by an outside vendor.
- Approved the Governor's CalWORKs county pay for performance proposal, to reflect savings of \$22.2 million GF and TANF based on anticipated caseload and grant reductions. This proposal also includes \$30 million TANF funding in 2006-07 for county performance incentives. Adopted trailer bill language to establish outcome measures and criteria for allocation of the incentive funding.
- Approved the Governor's proposal to eliminate the \$50 million TANF augmentation for CalWORKs employment services in 2005-06.
- Increased CalWORKs county administration funding by reappropriating \$50 million in unspent TANF from 2004-05 to 2005-06, due to reduced savings for prospective budgeting/quarterly reporting. The Governor vetoed \$25 million of this TANF increase.
- Increased Food Stamp county administration funding by \$23.7 million (\$10 million GF) to reflect reduced savings for prospective budgeting/quarterly reporting. The Governor vetoed this increase.
- Approved \$55,000 GF net increase to implement several federal options to simplify Food Stamp administration and increase Food Stamp eligibility and benefit amounts.

Community Care Licensing

- Rejected the Governor's proposal to eliminate the statutory trigger to increase the number of random sample visits to licensed community care facilities if citations issued by the department exceed the previous year's total by 10 percent.
- Approved \$1.1 million GF to establish 14.5 new positions to reflect caseload growth in the number of facilities licensed by Community Care Licensing (CCL).
- Approved \$596,000 (\$392,000 GF) in CCL state operations for six limited-term positions and \$847,000 (\$837,000 GF) to comply with the *Greshner v. Anderson* court decision ordering CCL to revise its criminal background check process to protect the privacy rights of applicants with criminal backgrounds seeking to work in community care facilities.
- Restored \$1.4 million of the \$8.7 million GF unallocated reduction for state operations in the Department of Social Services. This restoration represents the Community Care Licensing portion of the unallocated reduction. The Governor vetoed this restoration.
- Adopted trailer bill language to require the department to report by September 30, 2005 on the distribution and programmatic effects of the unallocated reduction, and specify that the restored funding be used to ensure that all available Community Care Licensing positions are filled and that required licensing visit and background check workload is completed. Further, adopted trailer bill language to require the HHS Agency and Department of Social Services to provide briefings to stakeholders on licensing reforms.

Children and Youth Services

- Rejected the Governor's proposal to adopt legislation to allow the state to pass on to counties penalties that may result if California is determined to be out of compliance with federal law regarding child welfare and foster care outcomes.
- Approved the May Revision proposal for \$14.3 million (\$4.4 million GF) and adopted an increase of \$5.6 million (\$3.5 million GF) for the Child Welfare Services (CWS) Outcome Improvement Project. The Governor vetoed the \$3.5 million GF increase. This funding supports program reforms and improvements to the child welfare services system, including implementation of the CWS outcomes and accountability system, the state's program improvement plan, and expanded child abuse prevention efforts.
- Adopted trailer bill language to preclude a county from claiming reimbursement under both the state mandates process and foster care/realignment funding for the same costs of out-of-home care for seriously emotionally disturbed children. This language restates current law.